




FRASER COMPANIES, LIMITED

Annual Report

1959



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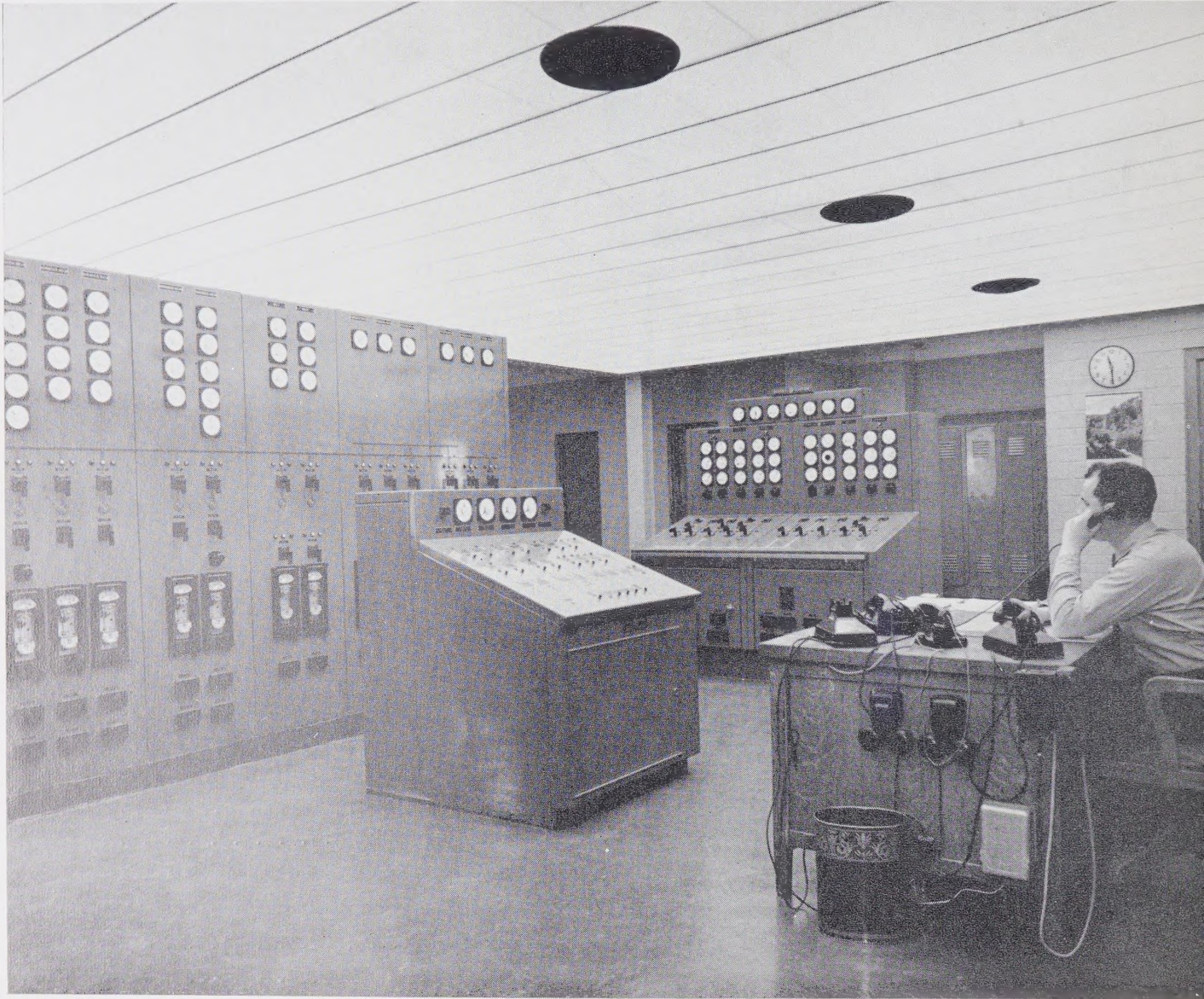
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CONTENTS

Date of Annual Meeting	2
Directors, Executive Committee, and Officers	3
Auditors, Stock Transfer Agent and Registrar	3
Directors' Report	4-5
Consolidated Balance Sheet	6-7
Consolidated Income and Expenditure	8
Consolidated Earned Surplus	8
Source and Application of Funds	9
Ten Year Comparison	10-11
Capital Construction at Madawaska	12-13
Green River Project	14
Products	15
Mills and Offices	16

Control centre in the mills at Edmundston where electrical power is received and distributed.



THE ANNUAL GENERAL MEETING

of the shareholders of Fraser Companies, Limited will be held at the general office of the company at Edmundston, N.B. on Wednesday, the 16th day of March, 1960, at the hour of ten o'clock in the forenoon, Atlantic Standard Time.

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

E. R. ALEXANDER
HON. F. PHILIPPE BRAIS, C.B.E., Q.C., LL.D.
RALPH B. BRENNAN
ARTHUR H. CAMPBELL
AUBREY CRABTREE, LL.D.

H. ROY CRABTREE
ROY A. JODREY
HON. D. L. MACLAREN, P.C.
K. W. MATHESON
L. M. SHERWOOD

EXECUTIVE COMMITTEE

AUBREY CRABTREE, *Chairman*

RALPH B. BRENNAN
H. ROY CRABTREE

ROY A. JODREY
L. M. SHERWOOD

OFFICERS

[illegible]

* The Board of Directors of the subsidiary company, Fraser Paper, Limited, is comprised of the members of the Executive Committee and K. W. Matheson

AUDITORS

ROSS, TOUCHE & CO.

STOCK TRANSFER AGENT
AND REGISTRAR

The shares of the company may be registered at any one of the three offices of the Montreal Trust Company noted here. To transfer the registration of any shares to one of the other two offices of the trust company, the shares must be submitted to the original registration office for discharge. The shares may then be registered at one of the other two registration offices selected by the shareholder.

MONTREAL TRUST COMPANY
P.O. Box 10, Place d'Armes,
Montreal, Quebec

—

15 King Street West
Toronto, Ontario

—

104 Prince William Street
Saint John, New Brunswick

STOCK LISTED

• MONTREAL STOCK EXCHANGE • TORONTO STOCK EXCHANGE

DIRECTORS' REPORT

TO THE SHAREHOLDERS,

FRASER COMPANIES, LIMITED:

The consolidated balance sheet at December 31, 1959, and the consolidated statements of income and expenditure and earned surplus for the year ended December 31, 1959, of Fraser Companies, Limited and its wholly-owned subsidiary, Fraser Paper, Limited, are submitted herewith.

Earnings for the year, before interest charges and provisions for depletion, depreciation, and taxes on income, amounted to \$12,133,407.

The profit for the year after all charges, including provisions for depletion and depreciation of \$3,627,707 and a provision of \$4,271,000 for taxes on income, amounted to \$4,150,700 as compared with \$4,621,859 in 1958.

In accordance with the terms of the Deed of Trust and Mortgage, First Mortgage and Collateral Trust Bonds 3% Series due 1st January, 1967, in the principal amount of \$350,000, were redeemed during the year.

Dividends declared on the common stock during 1959 amounted to \$3,339,153. Four regular quarterly dividends of 30¢ per share and an extra dividend of 30¢ per share were paid. In November 1959, an extra dividend of 30¢ per share and the regular dividend of the same amount were declared, both payable in January, 1960.

Net additions and improvements to plants and properties during the year totalled \$5,097,985.

Loss from the conversion of United States funds into Canadian funds amounted to \$1,225,575 during the year, compared with a loss of \$864,796 in 1958.

The consolidated net working capital at the end of the year was \$14,823,746.

The paper mills at Madawaska and the paperboard mill at Edmundston operated at capacity and, during the latter part of the year, difficulties were encountered in maintaining shipments on dates specified by customers.

The unbleached kraft pulpmill at Newcastle operated at near capacity for the first seven months but operations were slightly lower during the balance of the year. The limited demand in the market for bleached sulphite woodpulp continued to affect the operations at the Atholville pulpmill adversely and, consequently, production there was less than the previous year.

The total quantity of pulp, paper, and paperboard shipped during 1959 amounted to 240,396 tons. Paper shipments were greater than in any previous year, but total shipments were 2,058 tons less than in 1958. Sales of lumber improved and shipments amounted to 31,397,000 board feet compared with 27,691,000 board feet in the previous year.

Manufacturing costs, including labour, raw materials, and supplies, continue to rise. In addition, more costly refinements in manufacturing are required to produce products to the exacting specifications demanded in the current market.

Some upward adjustments in the prices for certain grades of paper were made, most of which were effective towards the end of the year.

Labour agreements which expired during the year were renewed after negotiations with the unions representing the employees in the plants affected. The new agreements provided for payment of wage rates and for working conditions similar to those prevailing in the industry in the region.

In the Madawaska paper mills last year, obsolete winders on two paper machines and a groundwood pulp thickener were replaced, a new rewinder was installed, and pressurized screens were added to one of the paper machines.

In April, construction was started at Madawaska of a building of sufficient size to house two paper machines. It was near completion by the end of the year. A fourdrinier paper machine, 234 inches wide, has been ordered. Parts of this machine have been received and are being erected. It is expected that this new machine will be ready to start up about mid-year. The machine forms part of the program to utilize surplus capacity for the production of woodpulp in the pulpmills of the company.

A building to provide additional facilities for finishing and storing paper and a new enclosed train shed for shipping paper at Madawaska were constructed during the year. These facilities remove a bottleneck in the handling of paper manufactured from bleached chemical pulp, effect economies in operations, and provide improved service to customers.

The continuing trend towards brighter papers requires a further refinement of chemical pulp bleached at Edmundston. Consequently, a plant to generate chlorine dioxide, an improved bleaching agent, is being constructed. The addition to the sulphite pulp bleaching plant at Edmundston, which came into operation in 1958, was designed for ready conversion to the use of chlorine dioxide and alterations are being made in the kraft pulp bleachery for its use there too. This further refinement in the manufacture of pulp is scheduled to commence in the second quarter of 1960.

With the approaching increase in productive capacity of the paper mills at Madawaska, the present pipe lines from the Edmundston pulpmill will be inadequate. Accordingly, the installation of two new pipe lines was commenced late in the summer and is near completion.

Approximately one-half of the steam and power requirements in the paper mills at Madawaska is presently being produced by units installed between 1925 and 1928. These units must be replaced in the very near future and engineering studies are under way for this purpose.

The program to increase the capacity for the manufacture of paperboard in Canada is still under intensive investigation and study.

A sharp and unexpected resurgence of the spruce budworm infestation along the southern boundary of tracts previously sprayed in central New Brunswick occurred in the past year. This development has been attributed to climatic conditions which were unusually favourable for larval growth. As a consequence, Forest Protection Limited, of which this company is a member, plans to spray between 2,000,000 and 2,500,000 acres of forest lands with insecticides in the spring and early summer of 1960. In northern New Brunswick, however, the infestation continued to decline.

On June 22, 1959, the Directors regretfully accepted the resignation of H.P. Thornhill as a member of the Board and of the Executive Committee. Elected a Director in 1936 and member of the Executive Committee in 1952, Mr. Thornhill served the company well and faithfully. His keen, practical judgment was of great value to the Board during his 23 years of membership.

Following the resignation of H.P. Thornhill, Ralph B. Brennan was elected to the Executive Committee.

With deep sorrow, we record the death on October 27, 1959 of Cecil M. Matheson who was a member of the Board of Directors and General Sales Manager, Pulp and Paperboard. Mr. Matheson was in the employ of the company for over forty years and served as a Director for seven years. Highly regarded, Mr. Matheson, with his extensive knowledge and warm personality, made an invaluable and lasting contribution to the company.

To fill the vacancies on the Board occasioned by the resignation of H.P. Thornhill and the death of C.M. Matheson, E.R. Alexander, Montreal, and K.W. Matheson, Edmundston, were elected Directors.

Last month, L.M. Sherwood retired as Vice-President after 47 years of outstanding service with the Fraser organization. We are pleased to advise that Mr. Sherwood has agreed to remain as a member of the Board and of the Executive Committee. Following Mr. Sherwood's retirement, K.W. Matheson was elected Vice-President of the company. C.T. Clark and W.A. Ketchen were appointed Vice-President—Manufacturing and Vice-President—Technical Services, respectively.

We are ever mindful of the continuing loyalty and support of our customers, employees, and suppliers and to them we express our grateful appreciation.

Submitted on behalf of the Board of Directors.

Edmundston, New Brunswick
February 17, 1960


Chairman and President

FRASER COMPANIES, LIMITED

CONSOLIDATED BALANCE SHEET

(with comparative figures at

ASSETS	1959	1958
CURRENT:		
Cash in banks and on deposit	\$ 7,538,120	\$ 6,077,131
Accounts receivable — less reserve	2,890,938	3,325,574
Inventories, valued at the lower of cost or market, less reserve, comprising raw materials and supplies, goods in process and finished products, and logging and pulpwood advances season 1959-1960, as certified by responsible officials of the companies	12,538,502	15,023,846
Prepaid insurance	316,607	157,732
	<u>23,284,167</u>	<u>24,584,283</u>
 INVESTMENTS — OTHER	 99,543	 92,776
 FIXED:		
Freehold and leasehold timber limits, buildings, mills, equipment, etc., as valued at December 31, 1932 (such valuation being less than cost) with subsequent additions at cost, less deductions for equipment and property sold	88,466,048	83,716,510
Less:		
Accumulated depletion and depreciation	58,595,695	55,316,434
	<u>29,870,353</u>	<u>28,400,076</u>
Approved on behalf of the Board:		
AUBREY CRABTREE, Director	\$53,254,063	\$53,077,135
L. M. SHERWOOD, Director		

AUDITORS' REPORT TO THE SHAREHOLDERS

FRASER COMPANIES, LIMITED,
EDMUNDSTON, N.B.

We have examined the consolidated balance sheet of Fraser Companies, Limited and Fraser Paper, Limited as at December 31, 1959 and the related statements of income and expenditure and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the above consolidated balance sheet as supplemented by the notes (a) and (b) appended thereto and related statements of income and expenditure and earned surplus are properly drawn up in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, so as to exhibit a true and correct view of the state of the combined affairs of Fraser Companies, Limited and Fraser Paper, Limited at December 31, 1959 and the results of their operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

MONTREAL, QUE.
FEBRUARY 12, 1960.

ROSS, TOUCHE & CO.
Chartered Accountants.

AND FRASER PAPER, LIMITED

AT DECEMBER 31, 1959

December 31, 1958)

LIABILITIES AND CAPITAL

1959

1958

CURRENT:

Accounts payable	\$ 3,589,637	\$ 3,125,434
Payrolls and other charges accrued	1,307,068	1,332,119
Dividends — payable January 25, 1960	1,335,661	1,335,661
Taxes on income — estimated	2,228,055	2,951,825
	<u>8,460,421</u>	<u>8,745,039</u>

FIRST MORTGAGE AND COLLATERAL TRUST BONDS:

Authorized	<u>\$12,000,000</u>	
Issued:		
2½% Serial bonds due 1948-1957	3,500,000	
Less: Retired	<u>3,500,000</u>	
	—	—
3% Series due January 1, 1967	3,500,000	3,500,000
Less: Redeemed	<u>1,050,000</u>	<u>700,000</u>
(\$350,000 redeemable annually)	2,450,000	2,800,000

RESERVE FOR CONTINGENCIES	1,388,000	1,388,000
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CAPITAL AND SURPLUS:

Common shares without nominal or par value:		
Authorized—3,000,000 shares		
Issued —2,226,102 shares	3,984,483	3,984,483
Capital surplus	1,231,286	1,231,286
Earned surplus	35,739,873	34,928,327
	<u>40,955,642</u>	<u>40,144,096</u>
	<u>\$53,254,063</u>	<u>\$53,077,135</u>

NOTES: (a) In consolidating the balance sheet of Fraser Paper, Limited, which operates in the United States of America, American dollars are expressed as an equal number of Canadian dollars.

(b) Commitments for the purchase of machinery, equipment and construction materials for additions and improvements to plants and properties amounted to approximately \$3,540,000 at December 31, 1959.

FRASER COMPANIES, LIMITED AND FRASER PAPER, LIMITED

STATEMENT OF CONSOLIDATED INCOME AND EXPENDITURE

For The Year Ended December 31, 1959

(with comparative figures for 1958)

	1959	1958
Earnings for the year ended December 31, 1959 (including \$144,949 investment income), after operating expenses, etc., (including executive officers' salaries and legal fees of \$169,354 and directors' remuneration of \$5,400), but before providing for the undernoted items:	\$12,133,407	\$13,139,200
Deduct:		
Bond interest	84,000	94,500
	<u>12,049,407</u>	<u>13,044,700</u>
Deduct:		
Provision for depletion and depreciation	3,627,707	3,938,841
	<u>8,421,700</u>	<u>9,105,859</u>
Deduct:		
Provision for taxes on income	4,271,000	4,484,000
Profit for year transferred to Consolidated Earned Surplus	<u>\$4,150,700</u>	<u>\$4,621,859</u>

STATEMENT OF CONSOLIDATED EARNED SURPLUS

For The Year Ended December 31, 1959

(with comparative figures for 1958)

Balance at first of year	\$34,928,326	\$33,645,620
Add:		
Profit for year transferred from Statement of Consolidated Income and Expenditure	4,150,700	4,621,859
	<u>39,079,026</u>	<u>38,267,479</u>
Deduct:		
Dividends	3,339,153	3,339,153
Balance at end of year	<u>\$35,739,873</u>	<u>\$34,928,326</u>

SOURCE AND APPLICATION OF FUNDS

For The Year Ended December 31, 1959

(with comparative figures for 1958)

SOURCE OF FUNDS

	1959	1958
Profit for year	\$4,150,700	\$4,621,859
Provision for depletion and depreciation	3,627,707	3,938,841
	<hr/> \$7,778,407	<hr/> \$8,560,700

APPLICATION OF FUNDS

Net additions and improvements to plants and properties	\$5,097,985	\$4,346,182
Bonds redeemed	350,000	350,000
Dividends declared	3,339,153	3,339,111
Investments increased	6,767	5,514
	<hr/> 8,793,905	<hr/> 8,040,849
Working Capital decreased* or increased	1,015,498*	519,851
	<hr/> \$7,778,407	<hr/> \$8,560,700

TEN YEAR

	FOR THE YEAR	1959	1958	1957
QUANTITIES SHIPPED:				
PULP, PAPER AND PAPERBOARD (tons)		240,396	242,454	265,214
LUMBER (M f.b.m.)		31,397	27,691	23,042
<hr/>				
NET SALES		\$55,133,065	\$54,564,038	\$57,557,950
PROVISION FOR TAXES ON INCOME		4,271,000	4,484,000	5,081,000
INCOME TAXES PER COMMON SHARE		1.92	2.02	2.28
PROFIT FOR YEAR		4,150,700	4,621,859	5,298,524
EARNED PER COMMON SHARE		1.86	2.07	2.38
DIVIDENDS DECLARED PER COMMON SHARE		1.50	1.50	1.50
NET ADDITIONS TO PLANTS AND PROPERTIES		5,097,985	4,346,182	6,482,333
DEPLETION AND DEPRECIATION		3,627,707	3,938,841	3,726,790
<hr/>				
END OF YEAR				
WORKING CAPITAL		\$14,823,746	\$15,839,244	\$15,319,393
CURRENT RATIO (Current assets to current liabilities)		2.8	2.8	2.5
BONDED DEBT		\$2,450,000	\$2,800,000	\$3,150,000
PREFERRED SHARES		—	—	—
COMMON SHAREHOLDERS' EQUITY		40,955,642	40,144,096	38,861,390

NOTE: 2,226,102 common shares were outstanding from 1952 to 1959 inclusive. The "per share" figures for 1950 and 1951 have been adjusted to give effect to the 3 for 1 subdivision of stock in 1952.

COMPARISON

1956	1955	1954	1953	1952	1951	1950
284,815	273,169	253,668	243,192	227,779	256,173	243,164
30,299	32,746	32,180	23,866	29,284	26,563	29,438
\$60,763,503	\$55,229,467	\$50,337,139	\$47,970,668	\$47,188,123	\$52,994,003	\$41,423,779
6,338,000	5,230,000	4,636,000	4,994,000	5,199,000	8,366,000	3,641,000
2.85	2.35	2.08	2.24	2.34	3.76	1.63
6,705,642	5,710,785	4,868,171	2,973,740	3,455,575	5,433,663	4,474,634
3.01	2.56	2.16	1.30	1.52	2.40	1.90
1.65	1.50	1.00	1.00	1.00	1.08	.83
5,011,088	4,174,830	2,416,128	2,641,330	3,019,528	3,479,512	1,479,543
3,621,535	3,418,655	3,115,694	3,065,835	3,169,923	3,376,460	3,241,922
\$16,471,023	\$15,183,385	\$13,913,737	\$10,941,924	\$10,378,321	\$9,512,936	\$7,831,219
2.5	2.5	2.6	2.2	2.1	1.9	2.2
\$3,500,000	\$3,850,000	\$4,200,000	\$4,550,000	\$4,900,000	\$5,250,000	\$5,600,000
			1,424,100	1,424,100	1,427,800	2,256,000
36,902,019	33,869,445	31,488,813	27,703,773	27,023,780	25,861,875	22,947,784



Machine room addition of a size to house two paper machines.

CAPITAL CONSTRUCTION AT MADAWASKA

On these two pages are photographs of three buildings constructed at the bond paper mill of Fraser Paper, Limited in 1959.

Shown under construction at the top left is the new addition of sufficient size to house two paper machines. It is now practically completed and one new paper machine is being assembled in it. When conditions are favourable, a second machine will be installed.

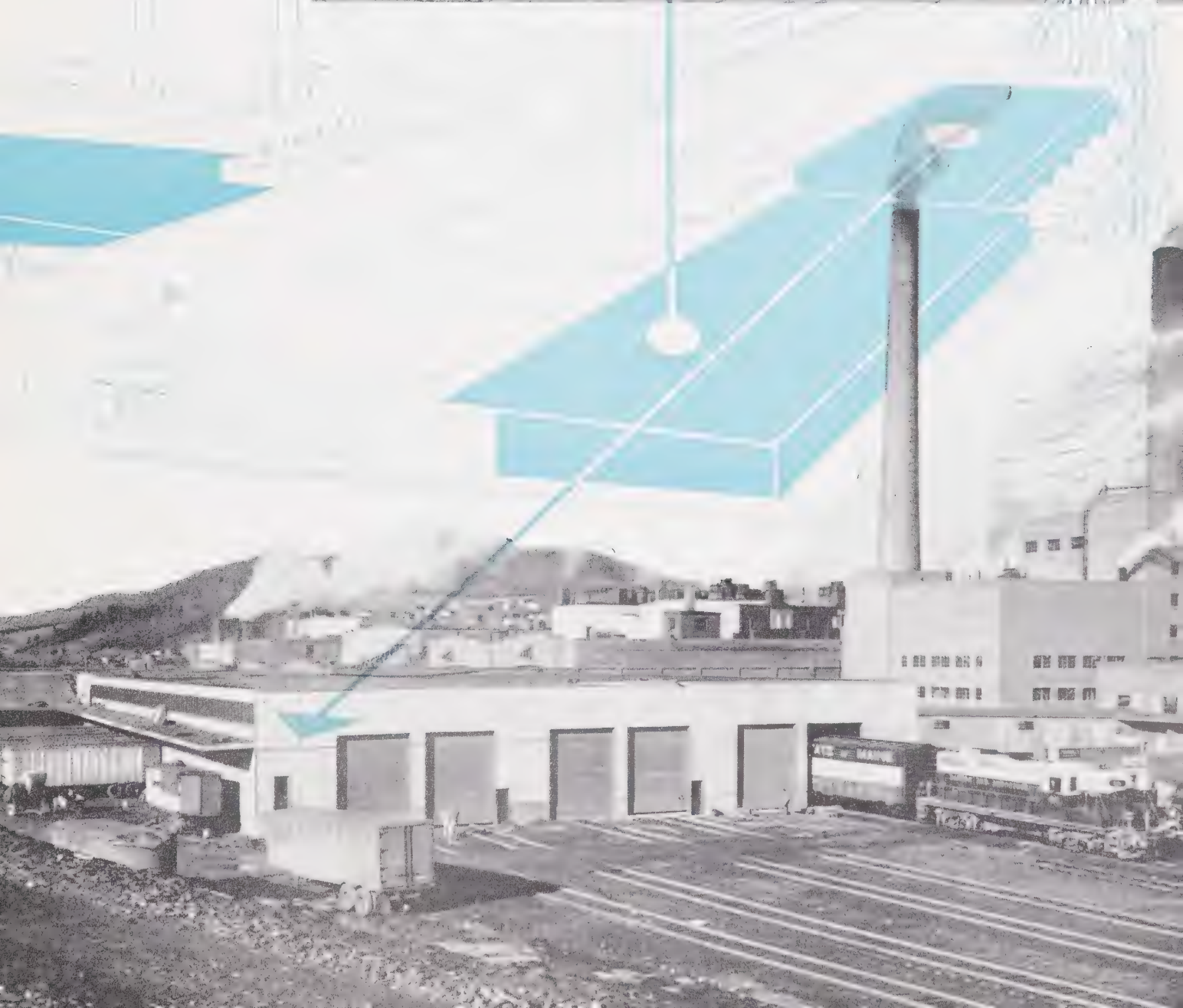
At the top right is the main floor of the new addition to the finishing and storage room having an area of 42,200 sq. ft. Conveyors and other equipment will be installed soon. Additional storage space of 31,000 sq. ft. is provided in the basement.

In the lower right photograph is the new enclosed train shed. It covers six railway sidings, each with space for five freight cars. Along the left side of the train shed can be seen the loading platform which can accommodate ten trailer trucks.

The new additions for finishing, storage, and shipping double the area of the previous facilities which were built when the quantity of paper produced was approximately one-half of the present capacity.

These projects were undertaken to effect economies in operations, to increase the quantity and enhance the quality of Fraser papers and to permit greater flexibility of operations, the stocking of a wider range of papers, and faster movement of paper out of the mill, thus providing improved service for customers.

*Finishing room extension doubles
finishing and storage area.*



Laboratories and living quarters at Green River Project.

Canada Department of Agriculture



Counting budworm larvae.

THE GREEN RIVER PROJECT

In the early forties, the Advisory Committee on Forest Entomology and Pathology of the Woodlands Section, Canadian Pulp and Paper Association, was gravely concerned over the future of the balsam fir in Eastern Canada. In Ontario, the spruce budworm was causing serious damage to the balsam fir and the infestation was moving eastward. In 1944, the Committee recommended that a long term forest research project, integrated with pulpwood harvesting operations, be undertaken with the immediate aim of determining the forest management practices required to minimize the losses from budworm attack.



Realizing the importance of such a project, the company provided a site for it on 263,000 acres of crown lands under licence to, and freehold lands owned by, the company in the Green River drainage in northern New Brunswick.

The project was started under the sponsorship of the Federal Forestry Branch of the Department of Northern Affairs and National Resources, the Forest Biology Division of the Canada Department of Agriculture, the New Brunswick Department of Lands and Mines, and the company. A committee, representing the sponsors, conducts the general planning and supervision of the work. Laboratories, offices, and living quarters to accommodate fifty persons are situated close by Summit Depot, headquarters for the woods operations of the company in the Green River forests.

Because the budworm infestation approached the epidemic stage in northern New Brunswick in the late forties, the entomological program of the Green River Project has been chiefly concerned with factors affecting the life cycle and population trends of the insect and the nature and extent of the damage to balsam fir. Pathological studies have been directed toward diseases associated with insect attack. Silvicultural investigations have been undertaken into the development of forest stands which were damaged by the budworm. Methods of determining growth and yield in pulpwood stands and techniques of harvesting them are also being studied.

These studies have already augmented the knowledge of many aspects of forest management and, as they progress, they will be of continuing value to all concerned with the welfare of the forests.

FRASER



QUALITY PRODUCTS

MANUFACTURED IN CANADA

FRASER PULPS

Unbleached Kraft for Specialty Papers

FRASER PAPERBOARDS

Bleached Food Container - Patent Coated - Specialties

RESTIGOUCHE PAPER PULPS

for: Bond - Book - Offset and Business Forms - Sanitary and Cleansing Tissues - Patent Coated Paperboard

RESTIGOUCHE DISSOLVING PULPS

for: Rayon Filament - Staple Fibre - Cellophane - Cellulose Sponges

FRASER LUMBER

Eastern Canadian Spruce

MANUFACTURED IN U.S.A.

FRASER PRINTING PAPERS

Snowland Bond - Snowland Mimeograph - Snowland Ledger - Snowland Duplicator - Snowland Manifold - Fra-opaque-Offset

FRASER BUSINESS PAPERS

Register Bond and Fanform for Multicopy, Fanfold, and Continuous Forms

FRASER CONVERTING PAPERS
(Including Fracote - a coated paper)

for: Carton Wraps - Bread Wraps - Frozen Food Wraps - Treated Food Wraps - Drinking Straws - Gift Wraps - Greeting Cards - Charts - Tablets - Envelopes - other specialty paper products and for laminating

FRASER GROUNDWOOD PAPERS

Catalogue - Directory - Specialties - in Rotogravure, Letterpress, and Offset Finishes

MILLS AND

OFFICES

GENERAL AND EXECUTIVE OFFICES

EDMUNDSTON, NEW BRUNSWICK

MILLS

EDMUNDSTON, NEW BRUNSWICK	- sulphite and groundwood pulpmills, sulphite and kraft bleaching plants and paperboard mill
ATHOLVILLE, NEW BRUNSWICK	bleached sulphite pulpmill
NEWCASTLE, NEW BRUNSWICK	unbleached kraft pulpmill
CABANO, QUEBEC	sawmill and dressing mill
PLASTER ROCK, NEW BRUNSWICK	sawmill and dressing mill

DIVISIONAL OFFICES FOR DISTRICT WOODS OPERATIONS

EDMUNDSTON, N.B.
NEWCASTLE, N.B.
ATHOLVILLE, N.B.

PLASTER ROCK, N.B.
FREDERICTON, N.B.
CABANO, P.Q.

SALES OFFICES

1010 ST. CATHERINE ST. W., MONTREAL 2, QUE.	pulp and paperboard sales
159 BAY ST., TORONTO 1, ONT.	paperboard sales
EDMUNDSTON, NEW BRUNSWICK	lumber sales

FRASER

PAPER,

LIMITED

(Subsidiary Company)

MILLS

MADAWASKA, MAINE

{ paper mills manufacturing high grade specialty
papers from chemical and groundwood pulps

SALES OFFICES

420 LEXINGTON AVE., NEW YORK 17, N.Y.
111 W. WASHINGTON ST., CHICAGO 2, ILL.

